REPORT ON EXAMINATION

OF

AMERICAN BANKERS INSURANCE COMPANY OF FLORIDA

MIAMI, FLORIDA

AS OF

DECEMBER 31, 2010

BY THE

FLORIDA OFFICE OF INSURANCE REGULATION

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Tallahassee, Florida

December 28, 2011

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Commissioner
Office of Insurance Regulation
State of Florida
Tallahassee, Florida 32399-0326

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Chairman, NAIC Financial Condition
(E) Committee Superintendent
State of Rhode Island
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Dear Sirs and Madam:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes, 69O-138.005 Florida Administrative Code, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination of December 31, 2010, of the financial condition and corporate affairs of:

AMERICAN BANKERS INSURANCE COMPANY OF FLORIDA
11222 QUAIL ROOST DRIVE
MIAMI, FLORIDA 33157

Hereinafter referred to as, the “Company”. Such report of examination is herewith respectfully submitted.

SCOPE OF EXAMINATION

This examination covered the period of January 1, 2006, through December 31, 2010. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of December 31, 2005.

This examination commenced with planning at the Office on July 5, 2011, to July 8, 2011. The fieldwork commenced on July 25, 2011, and concluded as of December 28, 2011.

This financial examination was a statutory financial examination conducted in accordance with the Financial Condition Examiners Handbook, Accounting Practices and Procedures Manual and annual statement instructions promulgated by the NAIC as adopted by Rules 69O-137.001(4) and 69O-138.001, Florida Administrative Code, with due regard to the statutory requirements of the insurance laws and rules of the State of Florida.

The Financial Condition Examiners Handbook requires that the examination be planned and performed to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations. All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

This report of examination is confined to significant adverse findings, a material change in the financial statements or other information of regulatory significance or requiring regulatory action. The report comments on matters that involved departures from laws, regulations or rules, or which were deemed to require special explanation or description. A specific requirement of this examination was the Company's compliance with a Letter of Guidance issued by the Office as a result of the prior examination.

SUMMARY OF SIGNIFICANT FINDINGS

Current Exam Findings

The following is a summary of material adverse findings, significant non-compliance findings, or material changes in the financial statements noted during this examination.

Catastrophe reserve

The Company's Actuarial Report did not disclose that a required Catastrophe reserve had been established for rating plans that had a rate, premium and/or surcharge for catastrophe hazards. This was a violation of Section 627.062(2), Florida Statutes.

Prior Exam Findings

Based upon the prior examination report and findings, on July 18, 2011, the Office issued the Company a "Letter of Guidance" notifying the Company that administrative actions and penalties may be imposed for future violations of the Florida Insurance Code, including referenced sections of law in the examination report.

The following is a summary of significant adverse findings contained in the Office's prior examination report as of December 31, 2005, along with resulting action taken by the Company in connection therewith.

Annual statement discrepancies

The disclosures in Note 23A did not include the following reinsurers, which have aggregate recoverables in excess of 3% of policyholder surplus: American Reliable Insurance Company, Voyager Property & Casualty Insurance Company and National Flood Insurance Program. This was non compliance with the NAIC Annual Statement instructions for Property and Casualty Insurance Companies. **Resolution:** The Company developed a formal process for aging reinsurance balances. The examination included a review and comparison of Note 23A and Schedule F Part 3. The Company properly disclosed the uncollateralized recoverables exceeding 3% of surplus.

The Company provided unearned premium data for all its data systems. The total amount shown as unearned was $9,916,959 less than reported on the annual statement. The Company provided losses paid for 2005 from all its data systems. The total amount of losses paid was $1,183,542 less than reported on the Annual Statement. **Resolution:** The Company implemented processes which ensured proper support for and the accuracy of, the entries made on the Annual Statement.

Results of the review of one hundred seventy-eight (178) premium files were as follows: two (2) files had undetermined policy term; thirty-six (36) files had discrepancies in written premium amounts; one of the bail bonds could not provide a complete detail (power of attorney). On two bail bonds, the posting agent names could not be traced to the power of attorney. On ten (10) other bail bonds, the gross bail bond premium did not correlate with the required ten percent (10%) calculated bond premium. **Resolution:** The premium file discrepancies were corrected.

Filing of MGA audited financial statement

The Company did not have on file an independent audited copy of the MGA financial statement for 2004 or 2005. This was in violation of Section 626.7454 (1), Florida Statutes. **Resolution:** The Company terminated the MGA agreement.

Claim file support

The examiners selected ninety-eight (98) claim files for review, however, the Company was only able to provide eighty-six (86) usable hardcopy (photocopied) files. Six claims files could not be provided, representing approximately six percent (6%) of the claim files requested. Six claim files had errors in the "Amount Paid" column and six additional claim files could not be located. **Resolution:** The Company implemented a process to ensure proper tracking and maintenance of claim files. The examination tested claims files as part of claims handling testing and no further discrepancies were noted.

Letters of credit

Review of the letters of credit revealed that one letter of credit was denominated in Canadian dollars. **Resolution:** No further issues were noted.

Reinsurance contracts

The Company could not readily locate reinsurance agreements or readily determine the number of agreements executed. **Resolution:** The Company developed reinsurance contract controls encompassing the Legal Department, Reinsurance Accounting and Reinsurance Contracts. These controls were tested by reviewing the sample of reinsurance agreements. All agreements sampled were current and fully executed. No further issues were noted.

The ceded and assumed reinsurance contracts with Bankers Atlantic Reinsurance Limited, Bantry Bay Reinsurance, and Celtic Sea Reinsurance did not contain an 'entire agreement' clause as required by SSAP No. 62, Paragraph 8C. **Resolution:** A sample of reinsurance agreements were reviewed for specific, or general, verbiage indicating the presence of side agreements or other non-contracted terms and no exceptions were noted.

Foreign currency reporting

Securities held at the Royal Bank, Toronto, Ontario were reported on Schedule D at the Canadian currency value. **Resolution:** Conversion rates for Canadian currency as of December 31, 2010 was used to reconcile par values of reported investments to the confirmed investment values.

The review of the letters of credit revealed discrepancies which are detailed in the Reinsurance Section of this report. **Resolution:** The current Exam review of the letters of credit revealed that this issue was resolved.

The Company did not properly record the amount of written premiums in Schedule T. This was in noncompliance with Rule 69O-137.001(2), Florida Administrative Code, which requires the filing of a true and complete annual statement. **Resolution:** No issues were noted in the current exam.

SUBSEQUENT EVENTS

In July of 2011, the Company finalized the novation of its reinsurance agreement with RGA Life Reinsurance Company of Canada (RGA) to Amexco Insurance Company (Amexco). The Canadian Office of the Superintendent of Financial Institutions (OSFI) regulations had prevented the Company from entering into a reinsurance agreement directly with Amexco; hence the Company entered into a reinsurance agreement with RGA and RGA subsequently entered into a retrocession agreement with Amexco. In 2011, the OSFI regulatory requirements were no longer applicable, so RGA novated all of its rights, liabilities, duties and obligations under the reinsurance agreement to Amexco. Under the novation, the Company terminated the retrocession agreement between RGA and Amexco. In 2010, the Company ceded 40% ($153 million of $270 million) in premiums for the credit protection line of business. In addition to their 2010 assumptions, Amexco could potentially be assuming 44% of the premiums in the credit protection line of business. Although this remains within 50% limitation for fronting under Section 624.404(4), Florida Statutes, it should be monitored in future quarterly by the Analysis unit.

HISTORY

General

The Company was incorporated on October 29, 1947, as a stock property and casualty insurance company under the applicable provisions of the Florida Statutes. The Company commenced business on December 30, 1948. In 1980, there was a tax-free reorganization whereby a holding company was formed. All of the Company's shares held by the public were surrendered at that time in exchange for shares of the holding company, American Bankers Insurance Group Inc. (ABIG). In turn, ABIG received and currently holds all of the Company's issued and outstanding stock, 5,083,164 common shares as evidenced by a single stock certificate.

On January 1, 2004, the Company was an indirect wholly owned subsidiary of Fortis, Inc., domiciled in the US, which itself was an indirect, wholly owned subsidiary of Fortis N.V. of the Netherlands and Fortis SA/NV of Belgium (collectively, "Fortis") through their affiliates, including their wholly owned subsidiary, Fortis Insurance N.V.

On February 5, 2004, Fortis sold approximately 65% of its ownership interest in Fortis, Inc. through an Initial Public Offering (IPO) and retained approximately 35% of its ownership (50,199,130 shares). In connection with the IPO, Fortis, Inc. was merged into Assurant, Inc., a Delaware corporation, which was formed solely for the purpose of the redomestication of Fortis, Inc. After the merger, Assurant, Inc. became the successor to the business, operations and obligations of Fortis, Inc. Assurant, Inc. stocks are traded on the New York Stock Exchange under the symbol AIZ. During the examination period from January 01, 2006 to December 31, 2010, ABIG maintained complete ownership of the Company and ABIG was owned 100% by Interfinancial, Inc.

The Company provides credit-related insurance programs in the United States and Canada. The Company operates in various property and casualty lines, the most significant of which are credit property, unemployment, homeowners multiple peril, inland marine, and accident and health. The Company, as an international wholesaler and marketer of insurance products, services and programs, concentrates on marketing through financial institutions, retailers, and other entities which provide consumer financing as a regular part of their business. The Company has a wholly owned subsidiary, American Bankers General Agency, Inc. (ABGA), which it controls through a management agreement, Reliable Lloyds Insurance Company (RLIC).

The Company was authorized to transact the following coverages in Florida on December 31, 2010:

Fire	Commercial auto physical damage
Allied Lines	Surety
Farmowners multi peril	Bail bonds
Homeowners multi peril	Glass
Commercial multi peril	Credit
Ocean marine	Livestock
Inland marine	Credit disability
Auto warranties	Accident and health
Earthquake	Mobile home multi peril
Other liability	Mobile home physical damage
Prepaid legal	Home warranties

Private passenger auto liability	Service warranties (non-auto)
Commercial automobile liability	Miscellaneous casualty
Private passenger auto physical damage	

Dividends to Stockholders

In accordance with Section 628.371, Florida Statutes, the Company declared and paid dividends to its stockholder in 2010 and 2009 in the amounts of $115,000,000 million and $174,000,000 million, respectively.

Capital Stock and Capital Contributions

As of December 31, 2010, the Company's capitalization was as follows:

Number of authorized common capital shares	10,000,000
Number of shares issued and outstanding	5,083,164
Total common capital stock	$5,083,164
Par value per share	$1.00
Number of authorized preferred shares	500,000
Number of shares issued and outstanding	0
Total preferred stock	0
Par value per share	$10.00

Control of the Company was maintained by its parent, ABIG, who owned 100% of the stock issued by the Company, who in turn was 100% owned by Interfinancial, Inc., who in turn was 100% owned by Assurant, Inc.

The parent contributed $25,000,000 million in cash to the Company in 2006.

Surplus Debentures

The Company did not have any surplus debentures during the period covered by this examination.

Acquisitions, Mergers, Disposals, Dissolutions, and Purchase or Sales Through Reinsurance

On November 12, 2008, the Voyager Property and Casualty Insurance Company was merged into American Bankers Insurance Company of Florida. This merger resulted in the Company increasing its Paid-in and Contributed Surplus by $27,800,000.

CORPORATE RECORDS

The recorded minutes of the shareholder Board of Directors (Board) and certain internal committees were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events in compliance with Rule 69O-138.001, Florida Administrative Code, including the authorization of investments as required by Section 625.304, Florida Statutes.

Conflict of Interest

The Company adopted a policy statement requiring annual disclosure of conflicts of interest in accordance with the NAIC Financial Condition Examiners Handbook adopted by Rule 69O-138.001, Florida Administrative Code.

MANAGEMENT AND CONTROL

Management

The annual shareholder meeting for the election of directors was held in accordance with Sections 628.231, Florida Statutes. Directors serving as of December 31, 2010, were:

Directors

Name and Location	Principal Occupation
Steven Craig Lemasters Atlanta, Georgia	President and CEO Assurant Solutions
Gene Edward Mergelmeyer Yorba Linda, California	President and CEO Assurant Specialty Property
Gajinderpal Singh Gill Alpharetta, Georgia	Chief Actuary Assurant Solutions
Ivan Carlos Lopez-Morales Atlanta, Georgia	Chief Financial Officer Assurance Solutions
Peter Alexander Walker Atlanta, Georgia	Chief Financial Officer Assurance Specialty Property
Russell Gary Kirsch Pembroke Pines, Florida	SVP Regulatory Administration Assurant Solutions

The Board was executive management solely. The Board of the ultimate parent, Assurant, Inc., were independent.

The Board in accordance with the Company's bylaws appointed the following senior officers:

Senior Officers

Name	Title
Steven Craig Lemasters	Chief Executive Officer
Gene Edward Mergelmeyer	President
Allen Floyd Tuthill	Senior Vice President
Daniel Joseph Lenczner	Senior Vice President
Elaine Martin	Senior Vice President
Gajinderpal "Pilot" Singh Gill	Senior Vice President
Ivan Carlos Lopez-Morales	Senior Vice President
John Frobose	Senior Vice President
John Nicholas Tabar	Senior Vice President
Joseph Edward Erdeman	Senior Vice President
Michael Campbell	Senior Vice President
Michael David Anderson	Senior Vice President
Peter Alexander Walker	Senior Vice President
Russell Gary Kirsch	Senior Vice President
Valerie Thomasa Seasholtz	Senior Vice President
Manuel Jose Becerra	Group Senior Vice President
Andrew Paul Chung	Treasurer
Jeannie Amy Aragon-Cruz	Secretary
Gregory Joseph DeChurch	General Counsel and Assistant Secretary
Jeff Alan Lamy	Chief Actuary

The Company's Board were members of several committees at the parent or ultimate parent level. As of December 31, 2010, the Company had one committee:

Investment Committee

Gene Edward Mergelmeyer

Ivan Carlos Lopez-Morales, CPA

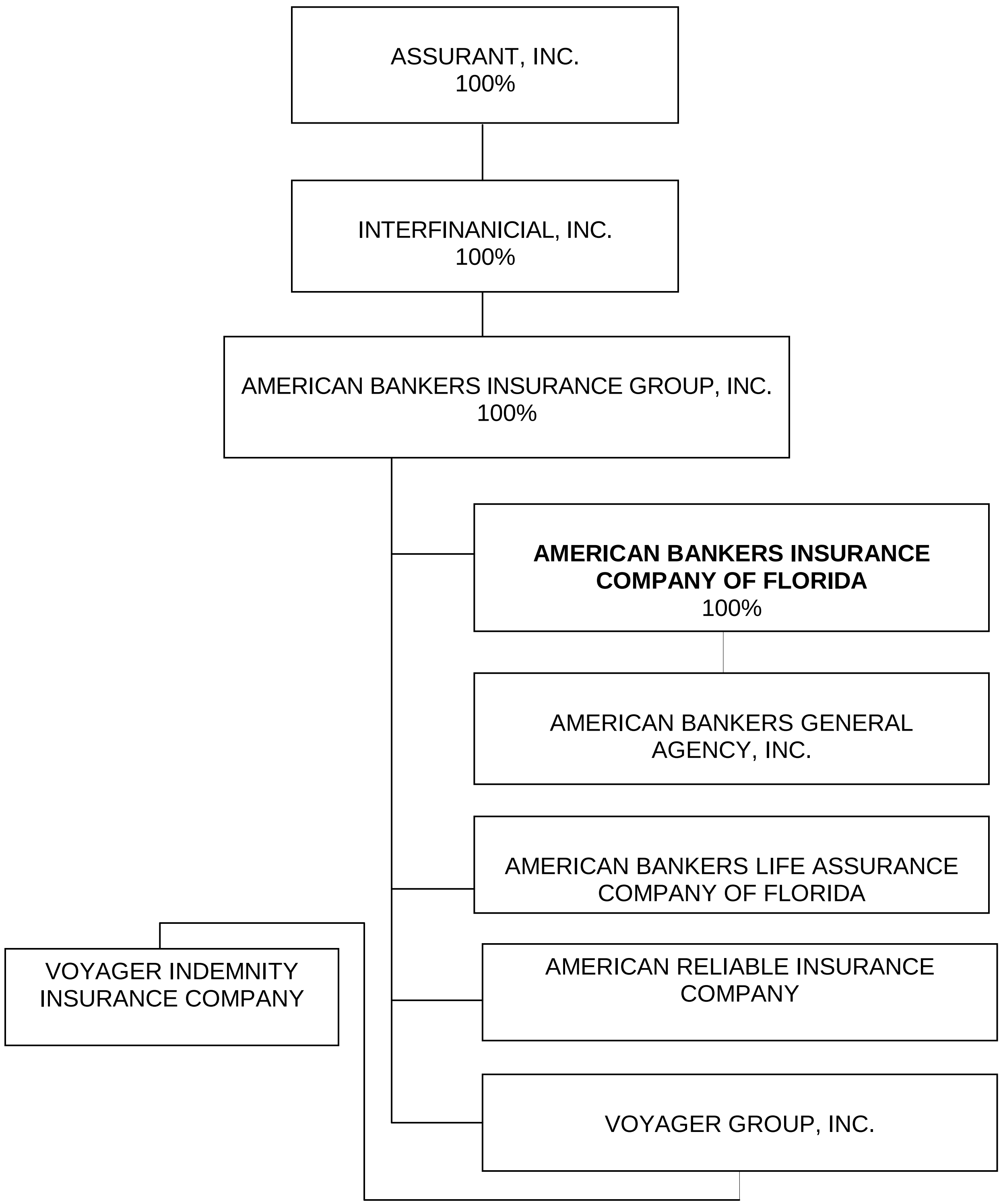
Steven Craig Lemasters

Affiliated Companies

The Company was a member of an insurance holding company system as defined by Rule 69O-143.045(3), Florida Administrative Code. The latest holding company registration statement was filed with the State of Florida on March 25, 2011 as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

An organizational chart as of December 31, 2010, reflecting the holding company system, is shown on the following page. Schedule Y of the Company's 2010 Annual Statement provided a list of all related companies of the holding company group.

AMERICAN BANKERS INSURANCE COMPANY OF FLORIDA
Organizational Chart
DECEMBER 31, 2010



The Company had in excess of forty (40) agreements in force with various affiliates at December 31, 2010. These affiliated agreements primarily consisted of various investment management and inter-company services agreements with ABIG, the immediate parent and Assurant, Inc., the ultimate parent. Under these agreements, the Company received services from either Assurant, Inc. or ABIG, relating to investment management, accounting, safekeeping of assets, information systems, office space, administration, marketing, and various other services. The agreements were reflected in the holding company filings made by and on behalf of the Company and its parent and affiliates. The most significant agreements between the Company and its parent were reviewed as part of the current examination, with no exceptions noted.

Administrative Services Agreements

ABIG and Assurant, Inc. provided audit, human resource management, investment management, and information technology services to the Company pursuant to inter-company services agreements.

Investment Agreement

Assurant, Inc. and ABIG provided services related to investment management, investment accounting, safekeeping of assets and information technology to the Company pursuant to investment services agreements.

Tax Allocation Agreement

The Company files a consolidated federal income tax return with Assurant Inc., the ultimate parent and several other affiliated insurers and non-insurer entities. The method of allocation between the companies is subject to a written agreement and is based on separate return calculations with current credit for net losses. The intercompany balances are settled within thirty (30) days of filing the consolidated federal income tax return. The written agreement was reflected in the holding company filings made by and on behalf of the Company and its parent and affiliates.

Operational Service Agreements

The Company was a party to various agreements with affiliates. These agreements were effective as of 2008 and 2009 to provide and receive services for each other relating to data processing, management, premium processing, and claims processing.

Reinsurance Agreements

The Company maintained reinsurance agreements with its affiliates. The affiliated, assumed business was primarily from American Reliable Insurance Company, Voyager Indemnity Insurance Company and American Bankers Life Assurance Company of Florida. The affiliated, ceded business was primarily to American Bankers Life Assurance Company of Florida.

FIDELITY BOND AND OTHER INSURANCE

As of December 31, 2006, the Company was named as an insured on two fidelity bonds owned by Assurant, Inc. The policy provided single loss coverage of $20 million and aggregate loss coverage of $40 million which adequately covered the suggested minimum amount of coverage of $4.5 million recommended by the NAIC.

The Company also maintained insurance coverage for Property, Commercial General Liability, Umbrella Liability, Excess Liability, Directors and Officers Liability, Workers' Compensation, Excess Directors and Officers Liability and Computer Crime.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

Assurant, Inc. sponsors a defined benefit pension plan and certain other retirement benefits for employees and certain agents who meet plan eligibility requirements. Plan assets of the defined benefit plans were not specifically attributable to participating subsidiaries. Therefore, a breakdown of plan assets was not reflected in these financial statements. Assurant Inc. is the plan sponsor of the defined benefit plan and as such, Assurant, Inc. bears the legal obligations associated with the plan. Benefits under the defined benefit plan are based on years of service and annual compensation. Assurant Inc.'s funding policy was to contribute amounts to the plan sufficient to meet the minimum finding requirements set forth in the Employee Retirement Income Security Act of 1974, plus additional amounts as Assurant, Inc. determined to be appropriate from time to time up to the maximum permitted, and to charge each subsidiary an allocable amount based on its employee census.

The Company also participates in a defined contribution plan, sponsored by Assurant, Inc., covering employees and certain agents who meet plan eligibility requirements.

Benefits are payable to participants upon retirement or disability and to the beneficiaries of participants in the event of the participant's death.

The Company also participates in health care and life insurance benefit plans for retired employees, sponsored by Assurant, Inc. As the plan sponsor, Assurant, Inc. bears the legal obligations associated with the plans.

TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to transact insurance in the following states, territories and provinces:

Alabama
Alaska
Arizona
Arkansas
California
Colorado
Connecticut
Delaware
District of Columbia
Florida
Georgia
Hawaii
Idaho
Illinois
Indiana
Iowa
Kansas
Kentucky
Louisiana
Maine
Maryland
Massachusetts
Michigan
Minnesota
Mississippi
Missouri
Montana
Nebraska
Nevada
New Hampshire
New Jersey
New Mexico
New York
North Carolina
North Dakota
Ohio
Oklahoma
Oregon
Pennsylvania
Rhode Island
South Carolina
South Dakota
Tennessee
Texas
Utah
Vermont
Virginia
Washington
West Virginia
Wisconsin
Wyoming
Puerto Rico
US Virgin Islands
Canada

Treatment of Policyholders

The Company established procedures for handling written complaints in accordance with Section 626.9541(1) (j), Florida Statutes.

The Company maintained a claims procedure manual that included detailed procedures for handling each type of claim in accordance with Section 626.9541(1) (i) 3a, Florida Statutes.

COMPANY GROWTH

The Company provided credit-related insurance programs in the United States and Canada, as an international wholesaler and marketer of insurance products, services and programs, while concentrating on marketing through financial institutions, retailers and other entities which provide consumer financing as a regular part of their business. The Company seeks to expand operations in Canada and other foreign markets. During 2010, approximately 32% ($409 million) of the Company’s direct premiums written were reported in Canada.

Credit insurance in the amount of $254 million represented the largest line of direct business. Net Underwriting Gains and Net Retentions have either increased or remained fairly consistent over the past three years, while premiums earned have decreased along with decreases in Losses and Loss Adjustment Expenses, and Other Expenses. Surplus as Regards Policyholders has increased four of the last five years. Current Policyholders Surplus is $401,633,620 and continued growth is expected.

Profitability of Company

The following table shows the profitability trend (in dollars) of the Company for the period of examination, as reported in the filed Annual Statements.

	2010	2009	2008	2007	2006
Premiums Earned	$ 671,988,038	$ 728,986,227	$ 833,213,502	$ 709,160,997	$ 640,379,631
Net Underwriting Gain/(Loss)	93,097,417	67,265,552	74,694,479	19,446,655	(825,143)
Net Income	104,335,017	83,602,138	59,179,859	39,312,040	35,376,099
Total Assets	1,251,344,626	1,167,905,900	1,270,172,340	1,348,064,515	1,240,094,177
Total Liabilities	849,711,006	787,492,714	820,307,907	974,399,490	903,693,146
Surplus As Regards Policyholders	401,633,620	380,413,186	449,864,433	373,665,025	336,401,031

LOSS EXPERIENCE

The Company's Losses and Loss Adjustment Expenses incurred to Premiums Earned ranged from 40.3 percent to 34.8 percent during the period from 2006 to 2010. Incurred Losses and Loss Adjustment Expense attributable to insured events of prior years decreased by $19,342,000 and $8,576,000, in 2010 and 2009 respectively. The Company established supplemental reserves for hurricanes Ike and Gustav in 2008. The related claim activity was not expected to be material but to continue through 2011. The NAIC IRIS Tests for one-year and two-year reserve development to Surplus, and the estimated current reserve deficiency to Surplus, did not disclose any exceptional values.

The Company's Actuarial Report did not disclose that a required catastrophe reserve had been established for rating plans that had a rate, premium and/or surcharge for catastrophe hazards. Failure to establish the catastrophe reserve was a violation of Section 627.062(2), Florida Statutes.

REINSURANCE

The reinsurance agreements reviewed complied with NAIC standards with respect to the standard insolvency clause, arbitration clause, transfer of risk, reporting and settlement information deadlines.

Assumed

The Company assumes business from its affiliates and non-affiliates. In 2010, the Company assumed $204 million in business from affiliates and $66 million from non-affiliates. The affiliate business consisted primarily of credit protection, inland marine, fire and allied lines originating from American Reliable Insurance Company, Voyager Indemnity Insurance Company and American Bankers Life Assurance Company of Florida.

Non-affiliate assumptions were homeowners multiple peril, inland marine and other liability, originating primarily from two cedants.

Ceded

The Company was a direct writer of flood insurance for the National Flood Insurance Program (Program); this business was 100% ceded to the Program. Ceded reserves represent approximately 30% of surplus, most of which are from the National Flood Insurance Program, reinsurance pools, and credit unemployment insurance.

The Company began writing a new credit insurance program in 2009. The Company ultimately cedes 90% of the business to its client's offshore captives and retains 10% of the business. The Company receives a ceding commission for the 90% cession, which includes both fixed and variable components. The fixed component of the ceding commission is a specified rate as per the reinsurance contract. The variable component of the ceding commission, as specified in the reinsurance contract, directly reimburses the Company for 90% of the program's marketing expenses.

Credit for reinsurance from these captive, unauthorized, reinsurers was collateralized with funds held as well as third party collateral instruments (letters of credit and collateral trust agreements). The examination reviewed a sample of third party collateral instruments for compliance with Section 624.610, Florida Statutes.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Miami, Florida.

An independent CPA audited the Company's statutory basis financial statements annually for the years 2006, 2007, 2008, 2009 and 2010, in accordance with Section 624.424(8), Florida Statutes. Supporting work papers were prepared by the CPA as required by Rule 69O-137.002, Florida Administrative Code.

The Company's accounting records were maintained on a computerized system. The examination noted a discrepancy in the 2010 year-end Annual Statement between the Statement of Income and the Underwriting and Investment Exhibit for Premiums Earned in the amount of $3,326,672. The discrepancy represented noncompliance with Rule 69O-137.001(2), Florida Administrative Code, which requires the filing of a true and complete annual statement. This is a repeat finding as noted below.

The Company and non-affiliates had the following agreements:

Custodial Agreement

The Company maintained custodial agreements with JP Morgan Chase, Royal Bank of Canada Dexia Investor Services Trust, and US Bank. The custodial agreements did not contain the appropriate clause requiring notification to the Office upon termination of the agreement or account. The custodial agreements were not in compliance with Rule 69O-143.042(o), Florida Administrative Code. **Subsequent Event:** In 2011 the Company amended the custodial agreements to comply with Rule 69O-143.042(o), Florida Administrative Code.

Independent Auditor Agreement

The Company contracted with an external, independent CPA firm to perform the annual audit of its financial statements as required by Rule 69O-132.002 (7) (c), Florida Administrative Code.

INFORMATION TECHNOLOGY REPORT

Highland Clark, LLC performed an evaluation of the information technology and computer systems of the Company. Results of the evaluation were noted in the Information Technology Report provided to the Company.

STATUTORY DEPOSITS

The following securities were deposited with the State of Florida as required by Section 624.411, Florida Statutes and with various state officials as required or permitted by law:

State	Description	Par Value	Market Value
FL	NY GO UNLIM 5.125%	$ 1,000,000	$ 1,054,910
FL	NY GO UNLIM 5.0%	500,000	528,040
FL	NY GO UNLIM SUBS	1,500,000	1,563,405
	TOTAL FLORIDA DEPOSITS	$ 3,000,000	$ 3,146,355
AR	AZ INFRAC FIN REV	200,000	227,702
GA	USTBDS 9.25%	1,100,000	1,489,377
GA	USTBDS 5.125%	825,000	1,117,033
GA	USTBDS 4.75%	30,000	40,619
GA	NC STATE BOND	25,000	33,849
IN	CASH	75,000	75,000
KS	USTBDS 9.25%	390,000	528,052
KS	USTBDS 5.125%	60,000	81,239
KS	CO ST GO UNLIM	1,000,000	1,353,979
KS	GA ST GO UNLIM	205,000	277,566
KS	WA ST GO UNLIM	2,000,000	1,820,160
KS	WA ST GO UNLIM	1,500,000	1,672,185
MA	NC STATE BOND	125,000	169,247
MS	USTBDS 4.75%	400,000	541,592
NV	CASH	203,772	203,772
NH	GA ST GO UNLIM	280,000	379,114
NM	USTBDS 9.25%	105,000	142,168
NM	USTBDS 4.75%	165,000	223,407
NM	USTBDS 4.0%	100,000	108,938
NC	USTBDS 9.25%	105,000	142,168
NC	NC STATE BOND	500,000	676,990
OR	NC STATE BOND	281,000	380,468
SC	USTBDS 9.25%	250,000	338,495
VA	CO ST GO UNLIM	230,000	311,415
GU	CASH	50,000	50,000
PR	PR COMWLTH BD	1,000,000	1,192,550
VI	FL STATE BOND	500,000	551,880
CN	REGULATORY DEPOSIT	210,743,656	233,234,397
	TOTAL OTHER DEPOSITS	$ 222,448,428	$ 247,363,362
	TOTAL SPECIAL DEPOSITS	$ 225,448,428	$ 250,509,717

FINANCIAL STATEMENTS PER EXAMINATION

The following pages contain financial statements showing the Company's financial position as of December 31, 2010, and the results of its operations for the year then ended as determined by this examination. Adjustments made as a result of the examination are noted in the section of this report captioned, "Comparative Analysis of Changes in Surplus."

AMERICAN BANKERS INSURANCE COMPANY OF FLORIDA
Assets
DECEMBER 31, 2010

	Per Company	Examination Adjustments	Per Examination
Bonds	$ 813,387,501	$ -	$ 813,387,501
Stocks:			
Preferred	7,189,975		7,189,975
Common	7,588,999	-	7,588,999
Mortgage loan on real estate		-	-
First liens	65,151,849	-	65,151,849
Real Estate		-	-
Properties occupied by the company	4,148,096	-	4,148,096
Cash and short-term investments	57,494,253	-	57,494,253
Other investment assets	9,764,446	-	9,764,446
Receivable for securities	35,823	-	35,823
Investment income due and accured	10,957,673	-	10,957,673
Premiums and considerations:		-	-
Uncollected premiums	54,396,933	-	54,396,933
Deferred premiums	56,885,410	-	56,885,410
Reinsurance		-	-
Amounts recoverable from reinsurance	36,040,473	-	36,040,473
Funds held/deposited with reinsurance	152,667	-	152,667
Taxes:			
Net deferred tax asset	51,409,282	-	51,409,282
Guaranty funds receivable or on deposit	43,525	-	43,525
Electronic data processing equipment and software	81,303	-	81,303
Receivable from parent, subsidiary and affiliates	72,216,198	-	72,216,198
Aggregate write-ins for other than invested assets	4,400,220		4,400,220
Totals	$ 1,251,344,626	$ -	$ 1,251,344,626

AMERICAN BANKERS INSURANCE COMPANY OF FLORIDA
Liabilities, Surplus and Other Funds
DECEMBER 31, 2010

	Per Company	Examination Adjustments	Per Examination
Losses	$ 108,308,909	$ -	$ 108,308,909
Reinsurance payable on paid losses and LAE	10,746,059	-	10,746,059
Loss adjustment expenses	9,703,102	-	9,703,102
Commissions payable	38,264,721	-	38,264,721
Other expenses	21,496,806	-	21,496,806
Taxes, licenses and fees	4,644,260	-	4,644,260
Current federal and foreign income taxes	6,563,457	-	6,563,457
Unearned premiums	435,831,167	-	435,831,167
Ceded reinsurance premiums payable	52,296,761	-	52,296,761
Funds held by company under reinsurance treaties	43,952,753	-	43,952,753
Amounts withheld or retained by company for account of others	5,011,934	-	5,011,934
Remittances and items not allocated	3,903,754	-	3,903,754
Provision for reisurance	18,161,763	-	18,161,763
Payable to parent, subsidiary and affiliate	44,653,623	-	44,653,623
Derivatives	379,805	-	379,805
Aggregate write-ins for liabilities	45,792,132	-	45,792,132
total liabilities	$ 849,711,006	-	$ 849,711,006
Aggregate write-ins for special surplus funds	$ 16,017,466	-	$ 16,017,466
Common stock	5,083,164	-	5,083,164
Gross paid in and contributed surplus	161,956,012	-	161,956,012
Unassigned funds (surplus)	218,576,978	-	218,576,978
		-	-
Surplus as regards policyholders	401,633,620	-	401,633,620
Totals	$ 1,251,344,626	$ -	$ 1,251,344,626

AMERICAN BANKERS INSURANCE COMPANY OF FLORIDA
Statement of Income
DECEMBER 31, 2010

Underwriting Income		
Premiums earned	$	671,988,038
Deductions		
Losses incurred	$	214,510,480
Loss adjustment expenses incurred		19,646,674
Other underwriting expenses incurred		344,733,467
Total underwriting deductions	$	578,890,621
Net underwriting gain (loss)	$	93,097,417
Investment Income		
Net investment income earned	$	47,176,045
Net realized capital gains		11,061,725
Total investment income (loss)	$	58,237,770
Other Income		
Net gain (loss) agents' or premium balances charged off	$	101,999
Finance and service charges not included in premiums		3,661,131
Aggregate write-ins for miscellaneous income		(6,586,746)
Total other income (loss)	$	(2,823,616)
Net income before dividends to policyholders	$	148,511,571
Dividends to policyholders		$0
Net income after dividends to policyholders	$	148,511,571
Federal and foreign income taxes incurred		44,176,554
Net income	$	104,335,017
Capital and Surplus Account		
Surplus as regards policyholders December 31 prior year	$	380,413,186
Net income	$	104,335,017
Change in net unrealized capital gains or (losses)		(7,069,767)
Change in net unrealized foreign exchange capital gain (loss)		3,833,197
Change in net deferred income tax		(355,253)
Change in nonadmitted assets		17,586,695
Chang in provision for reinsurance		6,953,436
Dividends to stockholders		(115,000,000)
Aggregate write-ins for gains and losses in surplus		10,937,109
Change in surplus as regards policyholder for the year	$	21,220,434
Surplus as regards policyholders December 31 current year	$	401,633,620

A comparative analysis of changes in surplus is shown below.

AMERICAN BANKERS INSURANCE COMPANY OF FLORIDA
Comparative Analysis of Changes in Surplus
DECEMBER 31, 2010

Surplus as regards policyholders December 31, 2010 per Annual Statement				$ 401,633,620
	PER COMPANY	PER EXAM	INCREASE (DECREASE) IN SURPLUS	
ASSETS:				
No Adjustment				
LIABILITIES:				
No Adjustment				
Net Change in Surplus:				$ -
Surplus as Regards Policyholders December 31, 2010 Per Examination				$ 401,633,620

COMMENTS ON FINANCIAL STATEMENTS

Losses and Loss Adjustment Expenses $118,012,011

The Company's Chief Actuary, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2010, made a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

The Office consulting actuary, Dennis R. Henry, FCAS, MAAA of The Actuarial Advantage, Inc., reviewed the loss and loss adjustment expense work papers provided by the Company and was in concurrence with this opinion.

Capital and Surplus $401,633,620

The amount reported by the Company of $401,633,620, exceeded the minimum of $72,479,265 required by Section 624.408, Florida Statutes.

SUMMARY OF RECOMMENDATIONS

Catastrophe reserve

We recommend that the Company ensure that future actuarial reports contain a separate classification for reserves that complies with 627.062(2), Florida Statues.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **American Bankers Insurance Company of Florida** as of December 31, 2010, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's surplus as regards policyholders was $401,633,620, which exceeded the minimum of $72,479,265 required by Section 624.408, Florida Statutes.

In addition to the undersigned, John M. Coleman, CFE, Examiner-in-Charge, Tracy Gates, CISA, IT Specialist, Steven Sigler, CFE, AES, IT Specialist and Bradley Hazelwood, participating examiner, all of Highland Clark, LLC, participated in the examination. Other participants included Dennis R. Henry, FCAS, MAAA, consulting actuary of The Actuarial Advantage, Inc., Jonathan Frisard, Financial Examiner/Analyst Supervisor, and Gary Farmer, Financial Examiner/Analyst Supervisor of the Office.

Respectfully submitted,

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Mary M. James, CFE, CPM
Chief Examiner
Florida Office of Insurance Regulation